

# CAMBRIDGE LEASEHOLDS LIMITED

# ANNUAL REPORT

AR52

YEAR ENDED MAY 31, 1971



## OPERATING HIGHLIGHTS

	1971	1970	% Increase
Rental Income	\$4,113,450	\$3,792,491	8.5%
Net Earnings	456,940	321,208	42.3%
Per share*	44.6¢	31.4¢	42.0%
Cash Flow from Operations	1,255,633	1,022,034	22.9%
Per share*	\$1.22	99.9¢	22.6%
Net Cash Flow	712,184	532,666	33.7%
Per share*	69.5¢	52.0¢	33.5%

\*Based on average number of shares outstanding – 1,025,400 (1970 – 1,023,500)

# DIRECTORS AND OFFICERS

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DIRECTORS      James N. Bartlet, Q.C., *Windsor*

Edmond G. Odette, *Windsor*

Charles L. Tabachnick, *Toronto*

Morris Tabachnick, *Windsor*

Donald J. Wilkins, *Toronto*

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OFFICERS      Charles L. Tabachnick, *President*

David A. King, *Vice-President, Development*

Ronald G. Ellingwood, *Vice-President and Treasurer*

James N. Bartlet, Q.C., *Secretary*

John N. St. Onge, *General Manager*

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SUBSIDIARY COMPANY      Centre Commercial Les Rivières Ltée.

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AFFILIATED COMPANY      Regional Shopping Centres Limited

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TRANSFER AGENT AND REGISTRAR      The Canada Trust Company  
*Halifax, Toronto, Winnipeg, Calgary and Vancouver*

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SHARES LISTED ON      Toronto Stock Exchange

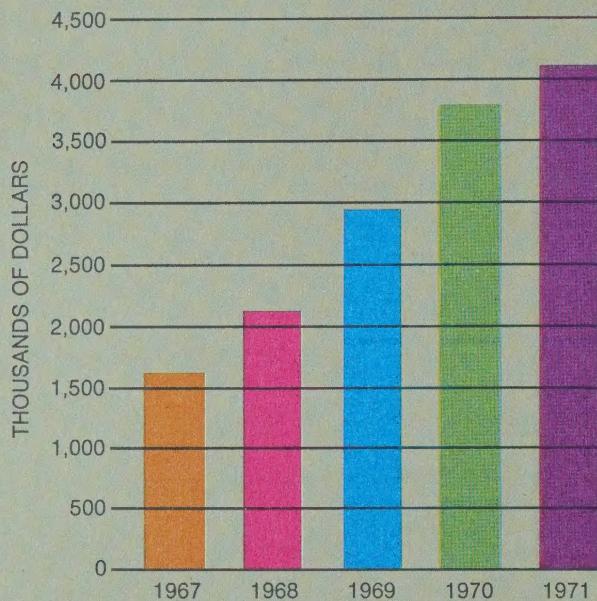
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AUDITORS      Peat, Marwick, Mitchell & Co., *Toronto*

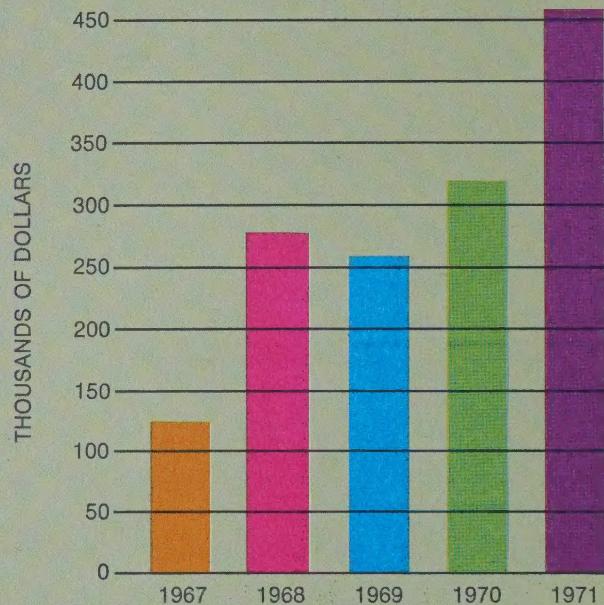
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HEAD OFFICE      18 King Street East, Toronto 1, Ontario

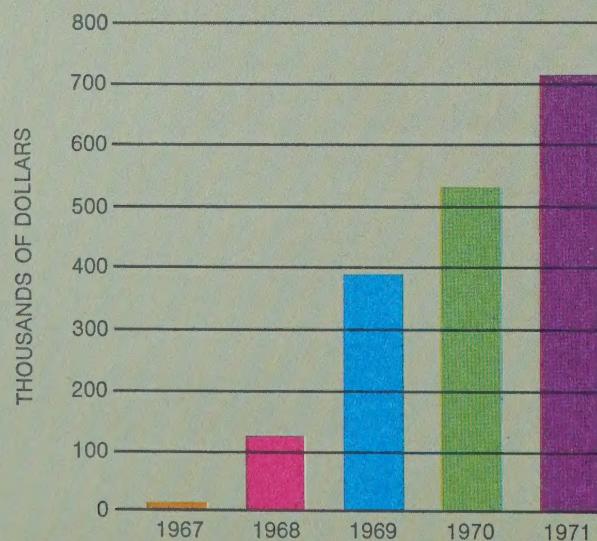
## RENTAL INCOME



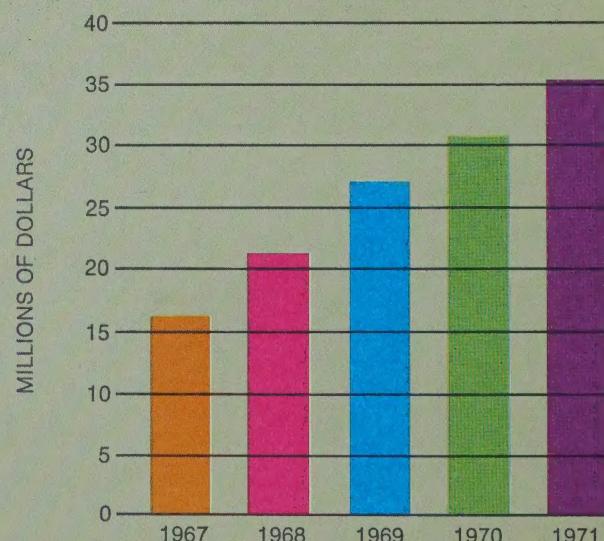
## NET EARNINGS



## NET CASH FLOW



## TOTAL ASSETS



# PRESIDENT'S REPORT

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The packages depicted on the cover of this report illustrate Cambridge's many links with leading Canadian retailers. Since 1962, our income has been derived almost exclusively from retail facilities and it is our intention to continue to develop and expand in this field.

During the past year, we announced our participation in the 600,000 sq. ft. Bayshore Shopping Centre in Ottawa. We will develop this regional centre and hold a 51% equity interest. The major tenants are Eaton's, Steinberg's and Hudson's Bay Company. Bayshore Shopping Centre Limited has offered for sale through McLeod, Young, Weir & Company Limited a mortgage bond issue of \$22,000,000 for the long-term financing of Bayshore; construction financing has been arranged through the company's bank. Work on this centre is to begin this fall and is to be completed in the spring of 1973.

Our Quinte Mall shopping centre in Belleville has been completed and it opened on August 18th. Les Rivières Shopping Centre in Trois-Rivières is nearing completion and will open on October 13th. More than 98% of the space in these centres has been leased and income from these leases will enhance operating results for the current year.

Devonshire Shopping Centre in Windsor, owned by our 50% affiliate Regional Shopping Centres Limited, opened in August, 1970. Regional's statements have not been consolidated but dividends paid by it are included in

Cambridge's 1971 income. In order to illustrate the impact of Devonshire on the total assets administered by Cambridge, a Combined Balance Sheet is presented on page 18 of this report.

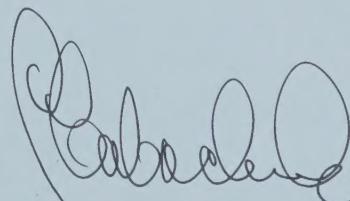
Operating results for the year ended May 31, 1971 show substantial increases. Net earnings increased by more than 42% to \$456,940, equivalent to 44.6¢ per share. Another important indicator in the real estate industry is Net Cash Flow and this amounted to \$712,184 (69.5¢ per share), an increase of over 33%.

A first annual dividend of 10¢ per share was paid during the year and it will be a continuing policy of the company to pay dividends in relation to our annual cash flow.

Tax changes recently proposed by the Federal Government will have little impact on the investment real estate industry. It appears that capital cost allowance rates will be unchanged and that profits and losses from the operation of individual properties may continue to be "pooled" except on disposal. For Cambridge, this means that income taxes may continue to be deferred and a larger cash flow thereby made available for expansion.

This company has always emphasized quality of income. This policy enables us to apply maximum leverage to our equity and to finance new projects from internal cash flow. We will continue this policy in future years.

August 27, 1971.



Charles L. Tabachnick

# BAYSHORE

OTTAWA, ONTARIO (PLANNED OPENING 1973)



Bayshore is truly Canada's number one retail opportunity. Its 100 stores will be a powerful magnet drawing from the entire Ottawa-Hull trading area.

Among Bayshore's many unique features will be a two-level enclosed mall and parking for 3,200 cars, also on two levels. More than half the parking spaces will be under cover further adding to the ultimate in shopping convenience. There will be entrances from both parking levels into the mall and department stores, and customers will move easily from one shopping level to the other on moving sidewalk ramps and dramatic stairways.

## EATON'S

Eaton's new store in the fast-growing Bayshore district is another important link in the company's current Canada-wide expansion program.

This modern, full-line department store, comprising 180,000 square feet on three levels, will incorporate all of the shopping conveniences and services associated with Eaton stores.

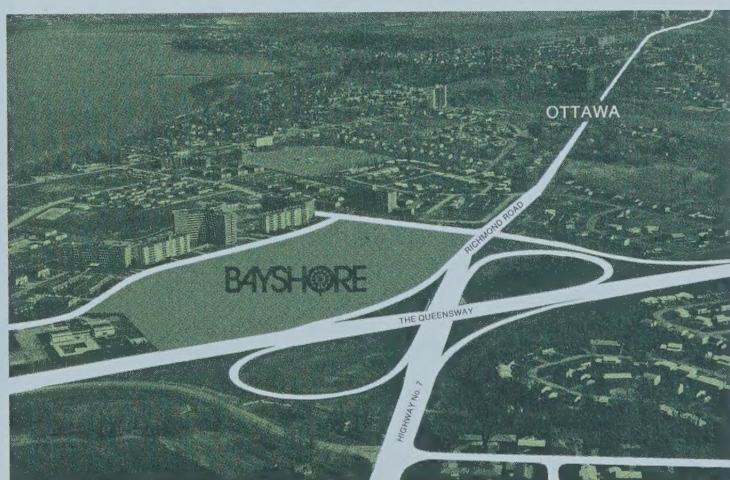


## THE BAY

The Hudson's Bay Company will operate a modern full-line department store under its popular name "The Bay", presenting 120,000 square feet of shopping area on two floors.

## STEINBERG'S

Steinberg's Limited will again have a double entry in a Cambridge project. The Montreal based chain will operate both a food store and a Miracle Mart department store in the new Bayshore Shopping Centre.





## BURLINGTON MALL

BURLINGTON, ONTARIO

Burlington Mall is enjoying a sales increase of more than 20% in this third full year of operation. This increase will be reflected in substantially higher percentage rental income in 1972. Income to the company has further been increased with the addition during the year of three new mall kiosks.

The population of the Burlington market area has increased from 60,000 to over 80,000 since development of this project started. Similar rapid population growth forecasts for the future offer excellent prospects for continued increases in sales.



## DEVONSHIRE

WINDSOR, ONTARIO

Devonshire opened on August 12th, 1970 and has just completed its first full year of operation. At \$42,000,000 well ahead of expectation, sales volume translates into nearly \$90 per square foot of retail space.

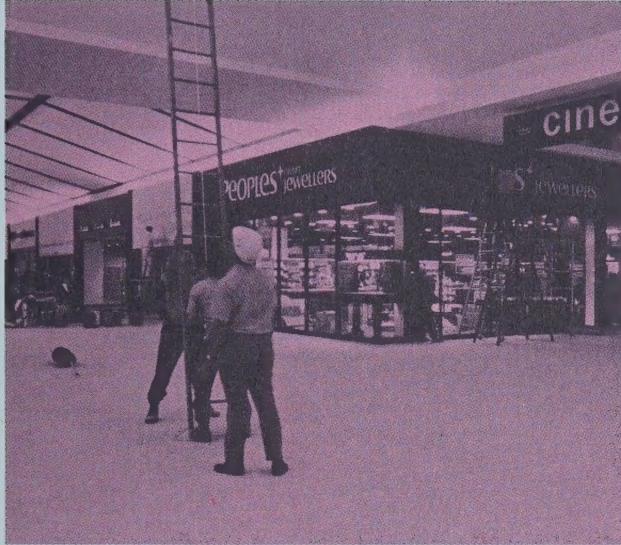
Particularly gratifying was the balance of success achieved by all 70 stores. The quality and variety of the fashion stores located in Devonshire are enhancing the mall's growing reputation as the fashion centre of Southwestern Ontario.

Net profit on operation of Devonshire is well ahead of budget because of additional income from percentage rents, kiosk rents, miscellaneous income, and lower than expected operating expenses.



# QUINTE MALL

BELLEVILLE, ONTARIO



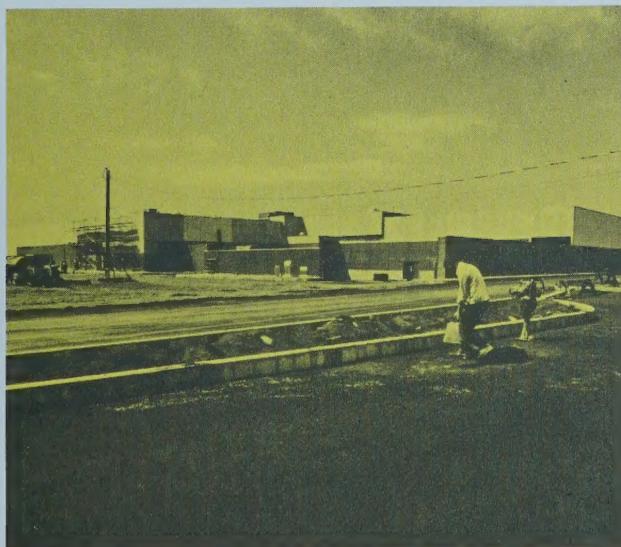
Quinte Mall opened on August 18th. This regional, enclosed mall of 240,000 square feet contains 40 stores, including a Simpsons-Sears department store, a Steinberg's Miracle Food Mart, and a twin-auditorium Famous Players Theatre. It is ideally located on a 24-acre site in Belleville, Ontario, on Highway 14 at Highway 401.

The largest shopping centre and the only enclosed mall in the prosperous agricultural and industrial area between Kingston and Oshawa, Quinte Mall serves a market of 128,000 persons. First year sales volume is conservatively projected at \$15,000,000.

The photo shows workmen making finishing touches to the mall interior a week prior to opening.

## LES RIVIÈRES

TROIS-RIVIÈRES, QUÉBEC



Les Rivières Shopping Centre, the company's newest venture, and its first development in Quebec, will open on October 13th, 1971. The centre's 50 stores, totalling some 350,000 square feet, are fully leased.

Les Rivières is located on Blvd des Forges at des Récollets in the rapidly growing west side of Trois-Rivières. Because of its proximity to the bridge linking Cap-de-la-Madeleine with Trois-Rivières, the centre will draw readily from a combined population of more than 100,000 persons living in these two communities. Les Rivières will also be accessible to the 125,000 additional people living in the Mauricien Valley. Estimated first year sales will be \$25,000,000.

The opening of Les Rivières will bring to four the number of regional centres developed by the company since 1968.

The photo shows part of the 2200-car parking lot and mall exterior.

# PROMOTIONAL ACTIVITIES

Effective advertising and promotion have become trademarks of Cambridge shopping centres.

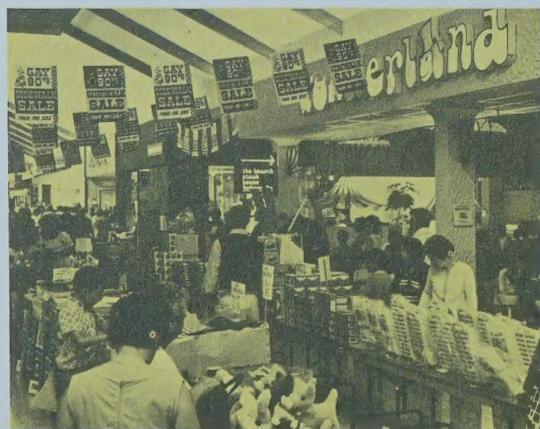
Advertising and promotion plans are developed jointly by head office personnel and shopping centre managers a full year in advance of implementation. Production of these plans is centrally co-ordinated at head office to effect savings which in turn are passed along to the Merchants' Association at each centre. The execution of the central plan is the responsibility of each shopping centre manager.

Cambridge's shopping centre advertising and promotion is divided into three categories:

1. Merchandise promotions planned to generate sales.
2. Mall promotions planned to build traffic.
3. Institutional advertising planned to emphasize the outstanding features in each centre.

A balance among the three categories is maintained so that during the course of a year the programme will have a broad appeal designed to reach the greatest number of shoppers and encourage all stores to actively participate in the programme.

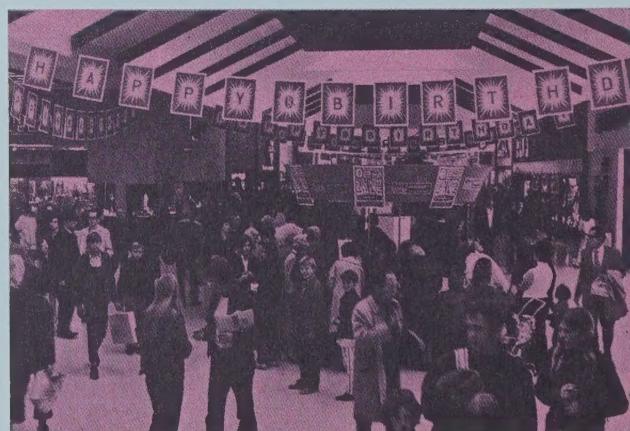
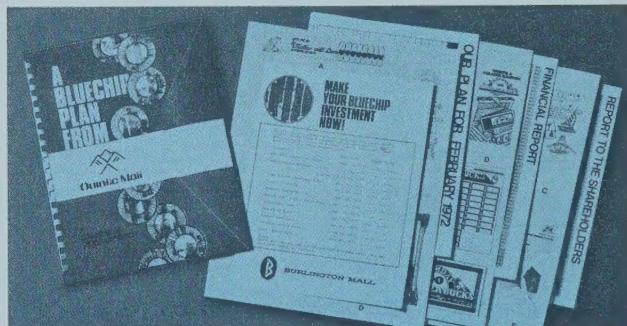
The Company takes pride in the retail-oriented philosophy which governs the management of the various properties in its portfolio. This identification with retailers, who are Cambridge's customers, ensures good relationships for future shopping centre developments.



*Sidewalk Sale at Burlington Mall.  
Merchandise promotion planned to increase shopper traffic.*



*Fashion Show at Devonshire Mall. Promotion planned to attract shoppers and establish centre as a fashion leader.*



*2nd Anniversary Sale at Burlington Mall.  
Promotion planned to generate sales.*

# CONSOLIDATED FINANCIAL STATEMENTS

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CAMBRIDGE LEASEHOLDS LIMITED and its subsidiary company  
 CONSOLIDATED BALANCE SHEET  
 May 31, 1971 (with comparative figures for 1970)

ASSETS	1971	1970
Cash	\$ —	\$ 9,641
Accounts receivable (note 2)	215,535	345,365
Prepaid taxes, other expenses and deposits	719,858	617,107
Investment in and advances to affiliated company (note 1(b) )	189,897	8,315
Mortgages receivable (note 3)	212,426	178,036
Investment in property for resale, at cost	—	566,587
Investment in lands under option, at cost	208,169	222,545
Investment in property for future development, at cost (note 4)	632,378	592,393
Projects under construction, at cost (note 5)	4,863,317	—
Investment in revenue-producing properties, at cost		
less depreciation and amortization:		
Land	3,728,605	3,728,605
Buildings, site work and equipment	24,554,819	24,485,256
Development costs deferred	1,454,082	1,440,295
	29,737,506	29,654,156
Less accumulated depreciation and amortization (note 1(c) )	1,678,738	1,264,845
	28,058,768	28,389,311
	<u>\$35,100,348</u>	<u>\$30,929,300</u>

On behalf of the Board:

CHARLES L. TABACHNICK, *Director*  
 EDMOND G. ODETTE, *Director*

LIABILITIES	1971	1970
Accounts payable and accrued expenses	\$ 2,002,185	\$ 639,267
Municipal taxes	466,068	491,927
Mortgages and other secured obligations:		
Bank advances (note 6)	2,678,751	—
Notes payable to shareholders (note 7)	292,054	100,000
Mortgage on property for resale, 10% due 1970	—	485,000
Mortgage on property for future development (note 4)	370,000	390,000
Mortgages on revenue-producing properties (note 8)	24,910,782	25,204,231
	<hr/> 28,251,617	<hr/> 26,179,231
Deferred income taxes (note 1(d) )	928,500	543,700
Deferred profit on sale of land (note 1(e) )	132,660	132,898
SHAREHOLDERS' EQUITY		
Capital stock (note 9)		
Shares of no par value. Authorized 1,500,000, not to exceed		
\$15,000,000; issued 1,026,875 shares (1970, 1,023,500 shares)	1,812,181	1,789,400
Retained earnings	1,507,167	1,152,877
	<hr/> 3,319,348	<hr/> 2,942,277
	<hr/> \$35,100,348	<hr/> \$30,929,300

#### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cambridge Leaseholds Limited and its subsidiary company as of May 31, 1971 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario  
August 4, 1971

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiary company at May 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

See accompanying notes to consolidated financial statements.

CAMBRIDGE LEASEHOLDS LIMITED and its subsidiary company  
 CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS  
 YEAR ENDED MAY 31, 1971 (with comparative figures for 1970)

	1971	1970
<b>INCOME</b>		
Rental income	\$4,113,450	\$3,792,491
Leasing and management fees	125,193	97,470
Dividends received from affiliated company	95,000	—
Profit on property developed for resale	201,082	—
Gain on settlement of expropriated land	—	35,593
Interest and other	33,013	11,184
	<u>4,567,738</u>	<u>3,936,738</u>
<b>EXPENSE</b>		
Property operating expenses	1,076,264	910,823
Interest – long-term debt	1,789,145	1,688,296
– other	11,131	22,475
Depreciation	346,437	315,370
Amortization of deferred development expenses	72,710	69,080
General and administrative	383,494	289,179
Other	46,817	1,607
	<u>3,725,998</u>	<u>3,296,830</u>
<b>INCOME FROM OPERATIONS</b>		
Income taxes, deferred	841,740	639,908
	<u>384,800</u>	<u>318,700</u>
<b>NET EARNINGS FOR THE YEAR</b>	<b>456,940</b>	<b>321,208</b>
Per share	44.6¢	31.4¢
Retained earnings, beginning of year	1,152,877	831,669
	<u>1,609,817</u>	<u>1,152,877</u>
Cash dividends paid	102,650	—
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$1,507,167</b>	<b>\$1,152,877</b>

*See accompanying notes to consolidated financial statements.*

**CAMBRIDGE LEASEHOLDS LIMITED** and its subsidiary company  
**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS**  
YEAR ENDED MAY 31, 1971 (with comparative figures for 1970)

	1971	1970
<b>SOURCE</b>		
<b>OPERATIONS</b>		
Net earnings for the year	\$ 456,940	\$ 321,208
Charges to operations not requiring an outlay of funds:		
Depreciation and amortization	419,147	384,450
Income taxes, deferred	384,800	318,700
Other	(5,254)	(2,324)
<b>CASH FLOW FROM OPERATIONS</b>	<u>1,255,633</u>	<u>1,022,034</u>
Per share	\$1.22	\$1.00
Principal payments on mortgages, revenue-producing properties	543,449	489,368
<b>NET CASH FLOW</b>	<u>712,184</u>	<u>532,666</u>
Per share	69.5¢	52.0¢
New financing, mortgages on revenue-producing properties	200,000	3,400,000
Recovery of prior year's investment in property for resale	566,587	—
Loans from shareholders	—	100,000
Mortgage on property for resale	—	485,000
Net proceeds from sale of land	—	12,332
	<u>1,478,771</u>	<u>4,529,998</u>
Net increase (decrease) in bank indebtedness and other current obligations	4,075,073	(924,533)
	<u><u>\$5,553,844</u></u>	<u><u>\$3,605,465</u></u>
<b>USE</b>		
Investment in and advances to affiliated company	\$ 181,582	\$ —
Mortgages receivable	34,390	27,436
Investment in property for resale	—	566,587
Investment in property for future development	59,985	202,393
Investment in new properties	4,690,237	2,809,049
Discharge of mortgage, property for resale	485,000	—
Cash dividends paid	102,650	—
	<u><u>\$5,553,844</u></u>	<u><u>\$3,605,465</u></u>

See accompanying notes to consolidated financial statements.

# CAMBRIDGE LEASEHOLDS LIMITED

and its subsidiary company

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 1971

### 1. ACCOUNTING POLICIES

#### (a) Consolidation

The consolidated financial statements include the accounts of Cambridge Leaseholds Limited and its seventy per cent owned subsidiary, Centre Commercial Les Rivières Ltée which during the current year began construction of a shopping centre in Trois-Rivières, Quebec.

(b) Investment in and advances to affiliated company  
The company has a fifty per cent interest in Regional Shopping Centres Limited which owns and operates a shopping centre in Windsor, Ontario. The investment in and advances to affiliated company consist of the following:

	1971	1970
Shares, at cost	\$ 200	\$ 200
10% note receivable	180,000	—
Other advances	9,697	8,115
	<hr/> <b>\$189,897</b>	<hr/> <b>\$ 8,315</b>

The accounts of this affiliate are not consolidated in these financial statements and earnings of the affiliate are included only to the extent of dividends received – 1971, \$95,000 (1970, NIL).

The company's share of the net earnings of Regional Shopping Centres Limited for the year ended May 31, 1971, which earnings arose from the rental operation of Devonshire Shopping Centre from August 12, 1970 to May 31, 1971, was \$47,023 (1970, income arising from the sale of land, \$16,861) and its share of the undistributed net earnings since inception was \$27,611 (1970, \$75,588).

#### (c) Depreciation and amortization

Depreciation on buildings and site work is calculated on a sinking-fund method based on an estimated useful life of thirty-five years for each revenue-producing property and will amortize the cost of the building and site work in a series of annual instalments increasing at the rate of 5% compounded annually.

Development costs are those expenses incurred up to the date of commencement of operation of a

property and include interest on interim financing, legal fees, consultant fees and leasing costs. These expenses are amortized over the first twenty years of operation of the property. Accumulated amortization at May 31, 1971 amounted to \$297,630 (1970, \$224,920).

#### (d) Deferred income taxes

The treatment for tax purposes of development expenses and depreciation differs from the company's accounting treatment, with the result that no income taxes have been paid or are currently payable. Income taxes thus deferred have been recorded in the company's accounts for the years 1969 to 1971; however, no provision has been made for income taxes deferred prior to 1969 aggregating \$252,600.

#### (e) Deferred profit on sale of land

In accordance with a policy statement of the Ontario Securities Commission regarding the recognition of profits in real estate transactions, the profit on the sale of certain lands has been deferred in the accounts. Subsequent to May 31, 1971, the company received payment in full on account of this sale and, accordingly, the deferred profit on sale of land will be taken into income in the 1972 fiscal year.

### 2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	1971	1970
Tenants – rents and other charges	\$ 76,694	\$102,753
Employees – stock purchase plan		
Payable over 10 years	22,781	—
Payable over 8 years	65,208	72,900
Insurance claim pending	19,500	—
Due from shareholders	6,642	35,400
Expropriated land	—	107,197
Other	27,866	27,115
	<hr/> <b>218,691</b>	<hr/> <b>345,365</b>
Less allowance for doubtful accounts	3,156	—
	<hr/> <b>\$215,535</b>	<hr/> <b>\$345,365</b>

### 3. MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

	1971	1970
Second mortgage on land sold (paid after May 31, 1971)	\$176,022	\$154,993
Mortgages on employees' homes (due 1974)	22,827	23,043
Mortgage due from tenant (due 1975)	13,577	—
	<u>\$212,426</u>	<u>\$178,036</u>

### 4. INVESTMENT IN PROPERTY FOR FUTURE DEVELOPMENT

The company owns 193 acres of vacant land in Windsor, Ontario, which land is subject to a 7½% first mortgage maturing 1984, requiring semi-annual payments of \$10,000 plus interest, increasing to \$20,000 plus interest in 1975.

### 5. PROJECTS UNDER CONSTRUCTION, AT COST

The company and its subsidiary are committed to expenditures approximating \$8,700,000, including the costs of land, buildings, interest during construction and other development costs in connection with shopping centres in Belleville, Ontario and Trois-Rivières, Quebec; \$4,863,317 had been expended to May 31, 1971.

### 6. BANK ADVANCES

Proceeds of mortgage loan commitments are assigned to banks to secure interim bank financing of projects under construction. At May 31, 1971, the company had obtained from lending institutions and assigned to the banks, commitments for long-term mortgage financing totalling \$7,575,000 relative to projects under construction in Belleville, Ontario and Trois-Rivières, Quebec. The Belleville loan bears interest at 10½% and matures in 30 years; the Trois-Rivières loan bears interest at 10½% and is payable in monthly instalments based on a 27 year amortization but matures in 15 years.

### 7. NOTES PAYABLE TO SHAREHOLDERS

Notes payable to shareholders include the following:

9% notes due 1972 payable to two major shareholders of the company	\$100,000
6% note due in three equal instalments in 1972, 1973 and 1974 payable to the other shareholders of the company's seventy percent owned subsidiary	192,054
	<u>\$292,054</u>

### 8. MORTGAGE ON REVENUE-PRODUCING PROPERTIES

Mortgages mature in various years from 1983 to 1997 and bear interest at rates varying from 5¾% to 10½%. Principal payments due on these mortgages in the next five fiscal years range from \$610,000 in 1972 to \$807,000 in 1976.

Mortgages payable in U.S. funds totalling U.S. \$7,641,755 at May 31, 1971 have been expressed in Canadian funds (\$8,234,079) at the rates of exchange prevailing when funds were received, being approximately \$1.00 CAN. = \$0.925 U.S.

### 9. CAPITAL STOCK

As of May 31, 1971, options to purchase 5,625 shares at \$6.75 per share were outstanding under the company's employee stock option plan. These options are exercisable on or before May 31, 1972. Options to purchase 3,375 shares at \$6.75 per share were exercised during the year, payment being made by non-interest bearing notes due in equal annual instalments during the next ten years.

### 10. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid to directors as salaried employees and to other senior officers was \$153,997 (1970, \$128,705).

# CAMBRIDGE LEASEHOLDS LIMITED

and its subsidiary company and

# REGIONAL SHOPPING CENTRES LIMITED

its affiliated company

## COMBINED BALANCE SHEET (ABBREVIATED)

MAY 31, 1971

### ASSETS

Accounts and mortgages receivable, prepaid taxes, other expenses and deposits	\$ 1,319,122
Investment in lands under option and property for future development, at cost	1,079,209
Projects under construction, at cost	4,863,317
Investment in revenue-producing properties, at cost	\$37,093,816
Less accumulated depreciation and amortization	1,764,012
	<u>35,329,804</u>
	<u>\$42,591,452</u>

### LIABILITIES

Accounts payable, accrued taxes and other expenses	\$ 2,610,452
Bank advances (secured)	2,711,684
Mortgages payable	32,273,228
Notes payable to shareholders	472,054
	<u>38,067,418</u>
Deferred income taxes	1,071,300
Deferred profit on sale of land	132,660
Interests of others in subsidiary and affiliated companies	27,839

### SHAREHOLDERS' EQUITY

Capital stock	
Shares of no par value. Authorized 1,500,000 shares; issued 1,026,875 shares	\$ 1,812,181
Retained earnings	1,480,054
	<u>3,292,235</u>
	<u>\$42,591,452</u>

# FIVE YEAR FINANCIAL REVIEW

	1967	1968	1969	1970	1971
Total Assets Including affiliate	\$16,214,060	\$21,339,112	\$27,190,717	\$30,929,300	\$35,100,348 42,591,452
Rental Income Including affiliate	1,605,994	2,112,046	2,983,273	3,792,491	4,113,450 5,011,243
Net Earnings*	123,176	272,102	259,690	321,208	456,940
Cash Flow from Operations	272,327	477,120	785,537	1,022,034	1,255,633
Net Cash Flow	609	134,148	389,610	532,666	712,184

\*Deferred income taxes not recorded before 1969.



Woolco  
Department Store

old fashioned  
Laura Secord  
ICE CREAM

JACK FRASER

the Bay

AR52



**CAMBRIDGE LEASEHOLDS  
LIMITED**

**CAMBRIDGE LEASEHOLDS LIMITED**

18 KING STREET EAST  
TORONTO 1, ONTARIO

**SECOND QUARTER REPORT**  
*SIX MONTHS ENDED*  
*NOVEMBER 30, 1971*

## TO OUR SHAREHOLDERS:

Net earnings for the half-year increased by 24% to \$345,052, equal to 33.5¢ per share. Cash Flow was \$848,951 (82.4¢ per share), an increase of nearly 18%. These improvements are derived entirely from our rental operations.

Construction of the Bayshore shopping centre in suburban Ottawa has been delayed pending a clarification of zoning. The Ontario Court of Appeal has recently decided that a zoning by-law does not permit construction of shopping centres unless that use is specifically provided for in the by-law. The municipality has now amended its zoning by-law by adding "shopping centre" to the list of permitted uses and this amendment is now before the Ontario Municipal Board for approval. The Court of Appeal decision is under appeal to the Supreme Court of Canada. We are confident that the matter will be favourably resolved, enabling Bayshore to open in 1973 as planned.

Mortgage financing of \$9,000,000 has been arranged for our shopping centre in Hull, Quebec. Construction has begun and the opening is scheduled for the Fall of this year. The major tenants are Simpsons-Sears and Steinberg's.

Construction is well advanced on the Kmart development in Sarnia and it will be completed in June.

In addition, Cambridge and its subsidiary and related companies control a number of sites on which shopping centres are planned over the next three years. It is anticipated that details of two of these projects can be announced shortly and work begun in 1972.

There are many reasons for optimism in the shopping centre industry at present: money is in good supply and interest rates are falling; retail sales are buoyant and retailers are expansion-minded. These factors will facilitate the development of new centres and improve income from participation leases in our existing centres.

January 26, 1972

Charles L. Tabachnick  
President

## CAMBRIDGE LEASEHOLDS LIMITED and its subsidiary company

### CONSOLIDATED STATEMENT OF EARNINGS AND SOURCE AND USE OF CASH

Six months ended November 30

	1971	1970
<b>INCOME</b>		
Rental income	\$2,335,119	\$2,051,275
Management and other fees	78,900	48,752
Dividends from affiliate	47,500	50,000
Profit on sale of land	132,660	—
Gain on land expropriation	49,729	—
Profit on sale of shopping centre	—	197,543
Interest and other	19,837	11,100
	<u>2,663,745</u>	<u>2,358,670</u>
<b>EXPENSES</b>		
Property operations	559,268	526,603
Mortgage interest	1,018,628	912,674
Depreciation and amortization	241,131	208,621
General and administrative	232,594	175,426
Other	27,712	21,911
	<u>2,079,333</u>	<u>1,845,235</u>
<b>INCOME FROM OPERATIONS</b>	<u>584,412</u>	<u>513,435</u>
Income taxes, deferred	<u>239,360</u>	<u>235,100</u>
<b>NET EARNINGS</b>	<u><u>\$ 345,052</u></u>	<u><u>\$ 278,335</u></u>
 <b>CASH FLOW FROM OPERATIONS</b>	 <u>\$ 848,951</u>	 <u>\$ 722,056</u>
Current mortgage principal	<u>285,744</u>	<u>266,674</u>
	<u>563,207</u>	<u>455,382</u>
New mortgage financing	4,650,000	200,000
Other	114,697	(36,669)
Total cash from all sources	<u><u>\$5,327,904</u></u>	<u><u>\$ 618,713</u></u>
Investment in new properties	\$5,081,496	\$ 516,063
Cash dividends paid	154,912	102,650
Prepayment of mortgage principal	91,496	—
Total uses of cash	<u><u>\$5,327,904</u></u>	<u><u>\$ 618,713</u></u>
 <b>NET EARNINGS PER SHARE</b>	 33.5¢	 27.2¢
 <b>CASH FLOW PER SHARE</b>	 82.4¢	 70.5¢

This statement is subject to year-end audit and adjustments.